

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia and New Zealand

**Post:** Canberra and Wellington

### **SOUTHERN CROSS AG OUTLOOK - AUSTRALIA AND NEW ZEALAND - MAY 2013**

**Report Categories:**

Agriculture in the News

Agriculture in the Economy

Market Promotion/Competition

Cotton and Products

Dairy and Products

Fresh Deciduous Fruit

Grain and Feed

Tree Nuts

Livestock and Products

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**Report Highlights:**

First Australian office for US cotton trader; **Agribusiness Takeover**; **Dairy group attacks US "Subsidy"**; **Seasonal conditions and market update – May 2013**; **Australian Crop update – winter planting 2013**; **Australia and China sign agricultural agreement**; **Grain marketing in Australia**; **Nuts exports crunch big numbers**; **Lamb exports hit record high**; **Reef rescue**; **Frozen beef lift exports**; **NZ dairy and products semi-annual report May 2013**; **NZ deciduous fruit semi-annual report May 2013**; **NZ meat industry structure**; **NZ drought update**; **China agrees to release NZ meat**; **Aus-NZ action plan targets foot and mouth threat**.

Greetings from the FAS staff in Canberra Australia and Wellington, New Zealand:

We hope that you will enjoy this edition of the Southern Cross Ag Outlook. The entire FAS

team in Australia provide a brief, practical overview that gives the agricultural sector an overview that gives also provide links about a particular

*Southern Cross Ag Outlook from Australia and New Zealand is a summary of issues of interest to the agricultural communities around the globe. The report includes information collected during travel within these two countries, reports in the local media, or offered by host country officials and agricultural analysts. Press articles are included and summarized in this report. Significant issues will be expanded upon in subsequent reports from this office. Minor grammatical changes have been made for clarification.*

The FAS staff on the

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This edition of the Southern Cross Ag Outlook represents a continued effort to improve the content and the format of this newsletter. We hope to make new improvements with every edition. Your feedback will help us tremendously in those efforts, and so I encourage you to send us any suggestions or comments you may have. With your help, our goal is to make this publication an even more informative and interesting read.

Happy Reading!

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***Agricultural Counselor, Australia and New Zealand***

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# AUSTRALIAN NEWS



## TRADE STATISTICS

U.S. EXPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS TO AUSTRALIA		
	Calendar Year Jan-Dec 2012	% Comparison Jan-Mar 2013 versus Jan-Mar 2012
Agriculture Fish & Forest Products	\$1,412,814*	Up 21.69%
U.S. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS FROM AUSTRALIA - US\$		
	Calendar Year Jan-Dec 2012	% Comparison Jan-Mar 2013 versus Jan-Mar 2012
Agriculture Fish & Forest Products	\$2,705,600	Up 9.65%

Source: BICO Reports – Bulk, Intermediate and Consumer  
 \* Denotes Highest Import Levels Since at Least CY1970

## FIRST AUSTRALIAN OFFICE FOR U.S. COTTON TRADER

Omnicoton, an 11-year-old United States cotton trading company founded in Texas, has established a new base in the Asian region with the opening of its first Australian office in the Brisbane suburb of Paddington.

Until now, Omnicotton has traded United States, Brazilian and some Argentine cotton. The Brisbane office would be trading cotton into Australia's traditional Asian markets. Source: [The Land](#)

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## AGRIBUSINESS TAKEOVER

US agribusiness firm Archer Daniels Midland (ADM) made a successful \$3.4 billion bid for GrainCorp, which controls seven of eastern Australia's eight grain export terminals. Some political leaders in Australia have criticized the acquisition because almost all grain export facilities will be foreign owned. The transaction still needs approval from Australian foreign investment and competition authorities.

## AUSTRALIA AND CHINA SIGN AGRICULTURAL AGREEMENT

## DAIRY GROUP ATTACKS US 'SUBSIDY'

Dairy Australia has attacked the CWT support program funded by U.S. dairy producers as an export subsidy that drives down prices for certain dairy products in third markets such as Japan. Dairy Australia wants the issue discussed in the TPP talks.

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## SEASONAL CONDITIONS AND MARKET UPDATE – MAY 2013

Large areas of northern Australia have received far below average rainfall over the last six months which has forced many cattle producers to reduce numbers dramatically causing prices to fall steeply. The industry has also been affected by reductions in demand for live export cattle and a further breach of animal welfare standards in Egypt.

Low rainfall has also affected sowing of winter crops, particularly in New South Wales and Victoria where soil moisture levels are very low. (For Further information view the full [GAIN Report](#)).

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## AUSTRALIAN CROP UPDATE – WINTER PLANTING 2013

Planting of the key winter crops in Australia is just starting in some areas. The majority of cropping regions are still waiting for rainfall to increase soil moisture levels. However, some farmers are taking a risk and dry-seeding on the expectation of rainfall in the coming weeks. Our GAIN report covers planting expectations for key winter crops plus provides some more indepth information about other crops grown in Australia which are not covered in regular reporting. (For Further information view the full [GAIN Report](#)).

On April 23<sup>rd</sup>, the Australian Minister for Agriculture, Fisheries and Forestry, Joe Ludwig

met with the Chinese Agriculture Minister, Han Changfu on the occasion of Minister Han's first visit to Australia. Minister Han was in Australia to participate in the Joint Agricultural Commission to discuss agricultural trade, policies and cooperation between Australia and China.

During the visit a new agriculture agreement was signed between the two countries. The agreement covers science and technology, two-way investment and trade.

The deal carries major significance for Australia. China is the most valuable export destination for Australian agriculture. In 2012 total Australian farm exports to China were valued at over \$7 billion. Key products exported to China included wool, cotton, grain (predominantly wheat), meat, wine and dairy products. *(For Further information view the full [GAIN Report](#)).*

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## **GRAIN MARKETING IN AUSTRALIA**

Australia is one of the world's largest producers and exporters of wheat. In 2012-13 wheat exports from Australia are forecast to be slightly less than 20 million tons, second only to the United States. The majority of wheat exported from Australia is in bulk form, with only a small percentage exported in bags or containers. Unlike other coarse grains, bulk wheat exports from Australia have been highly regulated under several forms of government control. For many years the wheat export market in Australia was dominated by the Australian Wheat Board (AWB). By virtue of its monopoly control, AWB was in a position to influence pricing and control export quantities and destinations in order to maximize returns to the Australian wheat farmer. At the same time the AWB was criticized by its competitors as a form of State Trading. That all ended in 2008 when major reforms were enacted that effectively abolished the AWB's monopoly of

## **NUT EXPORTS CRUNCH BIG NUMBERS**

Tree nuts – almond, chestnut, hazelnut, macadamia, pecan, pistachio and walnut – have climbed their way to the top of Australia's export value ladder, becoming the nation's largest

grain export markets. This report attempts to summarize the nature of those reforms and how the Australian grain marketing and handling system operates today as a result. *(For further information view the full [GAIN Report](#)).*

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## **FROZEN BEEF LIFTS EXPORTS**

A surge in frozen shipments has underpinned a rise in Australian beef and veal exports during the first quarter of 2013 which were up 7 per cent at 223,423 tonnes swt., compared to the same period the previous year

Industry sources report that frozen shipments during the first quarter surged 8 per cent compared to the same period a year earlier. Meanwhile chilled exports rose 5 percent from year earlier levels.

The ongoing trend towards increasing volumes of frozen product to Korea was highlighted and Japan continued to suffer from a weak yen during the quarter, as shipments were back in both categories.

Assisting the significant increase in frozen shipments for the quarter has been the rapid emergence of China and the Middle East.

Frozen shipments to the US for the quarter were down 27 per cent compared to last year, with the prevalence of New Zealand product impacting Australia's trading position, along with the strong demand from China.

With the increasing global demand for cheap protein, analysts predict that the percentage increase in frozen beef exports could break the record previous high of 77 percent set back in 2002, when very large volumes were shipped to the US and Canada.

Source: [The Land](#)

horticulture export. According to industry estimates, export figures for tree nuts are on track to reach in excess of A\$250 million for the 2012 season and are projected to almost triple to A\$725 million within seven years. In the past five years the Australian industry has established

valuable export markets in Russia, Korea, Taiwan, India and China.

The domestic nut market also is expected to lift with Australians being urged to increase their nut consumption by 350 per cent to meet the recommended daily intake of a “handful” (30g) of nuts, as identified in the new Australian Dietary Guidelines.

In total, it is estimated that the Australian Tree Nut industry will reach a gross farm gate value of A\$500 to A\$600 million, and this figure is expected to rise to A\$1 billion by 2020.

Source: [The Land](#)

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## LAMB EXPORTS HIT RECORD HIGH

Due to widespread dry conditions Australian lamb exports reached a record high of \$271 million for the first quarter of 2013. This represents a 9 percent increase from the first quarter of 2012 and a 20 percent increase over the five-year average, according to official data.

The United States, The Middle East and China are the three export destinations dominating the trade.

The Middle Eastern markets remain the primary destination and China remained the largest single export destination for Australian mutton.

Industry sources suggest that export demand should remain firm for the next quarter given the

drop in the Australian dollar and a record number of sheep had been slaughtered due to the fall off in seasonal conditions which created a surplus of product available at reduced rates.

Source: [Farm Online](#)

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## REEF RESCUE

The Federal government Reef Rescue program has been extended for another 5 years with funding of \$200 million.

The program is focused on research and implementation of practices and technologies to reduce runoff from cane and grazing properties to improve water quality in the Great Barrier Reef.

Since the implementation of Reef Rescue in 2008 there has been an 80 percent reduction in pesticide run-off and 60 percent reduction in fertilizer run-off.

The Federal government has also extended funding for regional Natural Resource Management Groups and Catchment Management Authorities by \$669 million for another five years. This funding will support programs to improve environmental outcomes on farms, in rivers and coastal areas.

Source: [The Land](#)

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## NEW ZEALAND NEWS



### TRADE STATISTICS

U.S EXPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS TO NEW ZEALAND - US\$		
	Calendar Year	% Comparison Jan-Mar 2013 versus Jan-Mar 2012
	Jan-Dec 2012	

Agriculture, Fish & Forest Products	\$383,297*	Up 39.84%
U.S. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS FROM NEW ZEALAND - US\$		

	Calendar Year Jan-Dec 2012	% Comparison 2013 versus Jan-Mar 2012
Agriculture, Fish & Forest Products	\$2,483,158*	Up 10.58%

Source: BICO Reports – Bulk, Intermediate and Consumer

\* Denotes Highest Import Levels Since at Least CY1970

## NEW ZEALAND DAIRY AND PRODUCTS SEMI-ANNUAL REPORT MAY 2013

Drought reduces pasture production in 2013, causing milk production to decline by 7 per cent to 19.2 million metric tons. Total dairy export volume is forecast at 2.75 million MT in 2013, a 2 per cent decline from 2012. Whole Milk Powder (WMP) production is expected to grow in increasing volumes.

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## NEW ZEALAND DECIDUOUS FRUIT SEMI-ANNUAL REPORT MAY 2013

A biennial bearing “on” year has boosted New Zealand’s total apple production to 519,000 MT, an 8 per cent jump year on year. As a result apple exports are forecast to rise 10 per cent year on year to 306,000 MT. Industry participants say the export markets look promising this year and apple growers are cautiously optimistic that per carton returns will be higher than 2012’s average return of NZ\$22.71 per carton.

## NEW ZEALAND MEAT INDUSTRY STRUCTURE

### NZ DROUGHT UPDATE

Most of the North Island, which experienced high temperatures and low or no rainfall over summer and into the Autumn, has now had good rains during late March and April. This coupled with warm temperatures has stimulated pasture growth making preparations for winter a lot easier.

Drought and low prices are causing increased concern among many farmers over the future of the industry. The volatility in pricing, NZ\$120/head for lamb in 2012 versus NZ\$70 in 2013 seems to be almost more of a worry than the absolute value. Many farmers feel that the Red Meat Sector Strategy-- which was published nearly 2 years ago-is not getting any traction.

Now a collection of South Island farmers calling themselves the Meat Industry Excellence group have emerged and have gathered support among farmers to be a catalyst for change in the industry. They hope to come up with a plan to improve the sector, which would most likely involve the amalgamation of the two farmer owned cooperative meat processing companies which kill somewhere between 40-50% of the total beef and sheep sent for slaughter. They hope to garner support from meat company industry leadership to make it all happen.

In the past these sorts of initiatives have invariably failed; however, one factor working in their favor is that meat processors are also worried about the future. This much was revealed when the chair of one of the Coops publicly said a group of the meat processors have also been meeting and discussing the future of the sector and the possibility of some sort of mutual restructuring. This would be preferable for both farmers and processors than the prospect of having it thrust upon them by the banks, in the form of a receivership, if the companies keep fighting to be the last man standing as has been the case over the last 30 odd years

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Nearly all the main dairying areas in the North Island have recovered reasonably well with the rain and warm temperatures. Many dairy farms had destocked by selling cull cows early and had dried off a proportion or all their herds early which reduced milk production but also feed demand. Once the rains came pasture growth has been greater than animal demand which has made recovery far easier.



However a broad swath of hill country through the centre of the island and out to the east coast has still not had appreciable rain. The sheep and beef farmers in this area are really in dire straits with little feed going into winter. They have adopted several strategies such as grain feeding breeding ewes, sending capital stock away to graze elsewhere and selling animals. Most of these farmers will have to endure financial losses and the after effects may well be felt for several years.

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## **NEW ZEALAND - CHINA AGRICULTURAL AGREEMENT SIGNED**

Minister for Primary Industries Nathan Guy signed a Strategic Plan on Promoting Agricultural Cooperation between New Zealand and China today.

The plan was signed with his counterpart, the Chinese Minister of Agriculture Mr Hang Changfu.

“This is an important agreement which will encourage cooperation and the sharing of knowledge to benefit both countries,” says Mr Guy.

The Plan sets out areas in which both countries can learn from each other, such as animal welfare and science, increasing productivity, and building skills and knowledge.

“This document will further build on the strong relationship that our two countries share, particularly in the agricultural sector.

## **CHINA AGREES TO RELEASE NZ SHEEP AND BEEF MEAT PREVIOUSLY STUCK ON WHARVES**

For weeks, possibly since late April, Chinese authorities have been refusing to allow New Zealand beef and sheep meat to enter the country. Chinese Customs and Bio-Security officials had stopped the meat at the Ports due to alleged errors in the documentation. Sources indicate that the problems relate to the name change of the New Zealand certifying authority from “New Zealand Food Safety Authority” to the “Ministry for Primary Industries” which officially

“Since the signing of the Free Trade Agreement in 2008 our exports to China have nearly tripled, from \$2 billion a year to \$6.9 billion in 2012.

“Two-way trade between China and New Zealand has reached almost \$15 billion. Our aim is to boost bilateral trade to \$20 billion by 2015, and we’re on track to achieve that goal.

“The Strategic Plan will open wider the channels for cooperation, including between our industry organizations and companies.

“There are already a number of business ventures between China and New Zealand in the primary sectors, with Fonterra looking to expand its milking operations in China.

“China is also keen to learn from New Zealand given our strong reputation for food safety and quality food products,” says Mr Guy.

This is believed to be the first visit to New Zealand by a Chinese Minister of Agriculture for over 30 years, and will be reciprocated later this year with a visit to China by Mr Guy.

Minister Han Changfu’s visit to New Zealand follows the successful visit by Prime Minister John Key to China earlier this month.

The agreement runs from 2013 – 2017 and can be updated at any time.

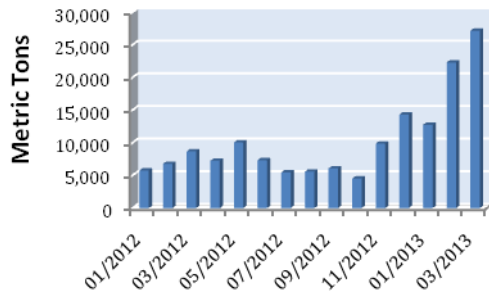
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began to appear on the export certificates starting March 1<sup>st</sup>, 2013.

New Zealand Government officials have claimed that a simple mistake from unauthorized documentation being issued has caused meat to be [blocked from entering China](#) for weeks.

Once the new certificates are received in China, another 10-14 days will be needed before hundreds of tones of frozen beef and sheep will be allowed into the country .

**New Zealand Red Meat Exports to China - Monthly Basis (Includes all Chilled or Frozen Meat & Offals)**



Source: GTA

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- developing and improving training activities and FMD detection capabilities, including training in exotic animal disease recognition and participating in joint exercises.

- sharing and comparing economic and disease models of FMD to inform management strategies.

- collaborating on policy development, approaches and operational plans for vaccination and carcass disposal.

- participating in simulation exercises to explore how we could support response efforts in the event of an incursion.

Source: [New Zealand Herald](#)

## **AUS-NZ ACTION PLAN TARGETS FOOT AND MOUTH THREAT**



A new action plan developed between Australia and New Zealand will strengthen defenses against the threat of foot and mouth disease.

Australia and New Zealand will work together to develop a trans-Tasman foot and mouth action plan to fight a disease that poses one of the single greatest threats to livestock industries and rural communities in New Zealand and Australia.

The Australian Government has estimated a large foot and mouth (FMD) outbreak would cost Australia A\$16 billion to control, but it has managed to keep the disease out of the country for 130 years.

### **Key activities under the joint plan include:**

- sharing intelligence on emerging animal health risks facing our region.